

Realty Trust Review

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INVESTMENT OUTLOOK & SELECTION ISSUE

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MARKET ANALYSIS: OWNERSHIP CONCENTRATION STILL OPENING OPPORTUNITIES IN 'CHEAPIES'

The table on page 2 and 3 is one of the most important we've ever published. It details the enormous pressure of investment and speculative money being poured into the realty trusts -- a tide pointing the way to opportunities.

First, just look at the length of the table. The list shows all trusts in which outsider groups (i.e., not part of initial sponsors) have bought 5% or more of shares of a trust and thus filed the required form (13-D) with the Securities & Exchange Commission. The list has grown to 52 trusts, nearly double the 31 trusts we found only four months ago, in our Jan. 12 listing. This means that outsiders have accumulated large positions in about three of every eight trusts reviewed regularly in REALTY TRUST REVIEW.

Second, look at the dollar total

on page 3 -- \$125½ million or four times the dollar value we found in January.

Some part of this growth stems from the taking effect of new S.E.C. rules requiring new disclosure of holdings. About \$10.3 million appear to surface for that reason; they are holdings in Cont. Ill. Properties, Franklin Realty, General Real Estate, Plaza Realty, and U.S. Equity & Mtg. But the rest of the increase of about \$83 million results from the combination of new money and appreciation of the January positions. And while the dollar total is impressive, it remains only about 4.7% of market value for all REITs.

This market pressure is a major force to take into account in shaping your own investment position. For one thing, trustees and managers of realty trusts themselves view the flood of new money with mixed emotions. Some would like it to disappear, or want to forget it, because they feel threatened

(Continued on p. 3)

WITH OUR SISTER SERVICE

REAL ESTATE DISCLOSURE DIGEST's May 18 issue will contain our bi-monthly Relative Appeal Rankings of 25 homebuilding companies, 12 investment builders and diversified companies, & 6 mortgage financing companies. Single copy: \$20 prepaid.

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TABLE I -- MAJOR OUTSIDER BLOCK HOLDINGS IN REALTY TRUSTS MAY 1979

Trust	Th.Sh. Out	Buyer(s)	Date*	Th.Sh. owned	% of Total	Market value**
Amer. Realty...	2,222	Brent D. Baird, Leland Speed	5/8/79	122.3	#5.5%	\$ 352 Th.
Atlanta Nat.RE.	1,273	Reed Rubin, Lee Balter et al	4/9/79	251.3	#19.8	1,068
Baird & Warner.	1,043	Icahn & Co. (Carl Icahn) & Baird & Warn. Shareholder Cmte.	4/26/79	354.4	34.0	4,077
BankAmerica Rl.	3,547	DeRance, Inc.	10/9/78	177.5	5.0	2,464
BRT Realty.....	1,400	Brent D. Baird, et al	10/27/78	70.1	5.0	96
Builders Inv...	2,929	Morse F. Van Horn	6/30/78	188.7	6.4	377
C.I. Realty....	2,609	Tamco Enter., Victor Goulet	4/14/78	330.0	12.7	7,673
" " "		David J. Greene & Co.; Rob- ert W. Wilson	4/12/79	645.0	24.7	14,996
" " "		City Investing Co.	4/16/79	476.4	18.3	11,076
Citinat. Deve..	600	Warren E. & Susan T. Buffett	3/16/79	33.9	5.7	297
Cit. Growth....	811	Brent Baird et al, Eastover	3/5/79	232.2	#28.6	813
Cit. & So. Rl..	5,446	Loyal Amer. Life Insur. Co.	4/16/79	390.0	7.2	634
Colwell MT(com)	2,030	Edwin Morgens, Bruce Waterfall	4/12/79	73.2	3.6	165
Colwell MT(pfd)	2,149	" " " "	4/12/79	293.5	13.7	734
Compass Inv....	3,109	Joe Akerman, John Wertin	2/12/79	1514.7	#48.7	2,272
Cont. Ill. Pr..	4,808	Harris & Assoc.	1/10/79	246.0	5.1	5,904
Diversified MI.	7,326	MEI Corp.	8/8/78	540.9	7.4	2,299
Fidelco Growth.	1,580	Sidney Baer - Note a	4/11/79	248.5	15.9	1,025
" " "		Asset Management Inc., et al	11/10/78	67.0	4.2	276
First Memphis..	1,156	Edwin Morgens, Bruce Waterfall	3/29/79	71.7	6.2	341
First Mtg. Inv.	8,495	Richard W. Larson	1/31/79	760.0	8.9	1,163
" " (Ser.B pfd)		Chittenden Assoc.	12/15/78	139.5b	14.1b	NM
First Newport..	2,339	Robert W. Wilson	2/16/79	136.2	5.8	409
First Vir. Mtg.	1,208	Amer. Diversified (Allen&Co.)	4/26/79	71.5	5.9	313
First Wisc. MI.	1,988	Lowell F. McNeill	3/31/79	117.3	6.1	469
Franklin Rlty..	999	Collins C. Diboll	3/15/79	55.0	5.5	440
" " "		Benjamin Elec. Engineering Works, & Pension Trust	2/27/79	77.2	7.7	618
" " "		Benjamin Elec. Eng. et al	2/27/79	31.3b	3.0b	250
Fraser Mtg.....	1,038	Jeffrey Schultz et al	2/16/79	181.3	17.5	1,949
General RE Sh..	557	Octagon Finc'l.(Don Foote)	4/2/79	81.3	#14.6	691
GREIT Realty...	998	Unicorp Fin.(Can.),Geo. Mann	3/26/79	182.7	#18.3	1,667
Hanover Sq. R..	946	Brent D. Baird et al	12/1/78	78.9	# 8.4	503
" " "		Lee Balter, customers, et al	2/5/79	110.5	12.5	704
Hotel Invest...	1,568	Arnold Orleans	12/20/78	79.1	5.1	1,542
ICM Realty.....	3,011	Eastover Corp.	12/31/78	273.4	9.1	2,631
Kentucky Prop..	1,100	Brent D. Baird et al	1/10/79	201.4	#18.3	529
Lincoln Mtg....	1,155	M.F.VanHorn, Ted Nelson et al	8/21/78	234.0	#20.2	534
Maryland Rlty..	760	Federated Reinsurance (sub. of Federated Devel. Corp.)	4/10/79	184.0	24.2	713
Midland Mtg....	2,382	E. Peter Hoffman Jr.	4/12/79	412.0	17.3	1,030
Miller(Hen.S.).	560	James Jackson et al	5/6/78	64.0	11.4	960

TABLE I - Continued

<u>Trust</u>	<u>Th.Sh. Out</u>	<u>Buyer(s)</u>	<u>Date*</u>	<u>Th.Sh. owned</u>	<u>% of Total</u>	<u>Market value**</u>
Mission Inv.....	1,812	Intermark, Inc.	2/2/79	156.5	8.6	743
Nat. Mtg. Fund.3,	707	Brent D. Baird et al	12/19/77	255.0	# 6.7	255
No. Amer. Mtg..6,	901	Amer. Finc'l. Cp., Carl Lindner	4/9/79	2500.0	36.2	9,688
NW Finc'l. Inv.1,	516	Brent D. Baird et al	3/28/79	171.7	#11.3	1,438
Pacific Rlty... 840		Douglas M. Heller; Ivory Ltd.	4/10/79	45.8	5.5	836
Penn. REIT.....	1,516	DeRance, Inc.	10/1/78	99.1	6.5	1,821
Plaza Realty...1,	114	Louis C. Fieland	1/29/79	59.5	5.3	89
Prop. Tr. Amer.2,	338	Shamrock Assoc.;Paul Koether	4/9/79	200.3	8.6	1,152
Prudent RE.....	3,146	Johncamp Realty, Inc.	5/4/79	2455.0	73.4	17,800
" " "		Ivan F. Boesky & Co.	4/3/79	225.8	7.2	1,637
" " "		Mtg. Trust of America	4/6/79	200.0	6.4	1,450
REIT of Amer...1,	633	Unicorp Fin.(Can.),Geo. Mann	2/7/79	104.3	6.4	1,943
San Fran. REI..1,	376	Unicorp Fin.(Can.),Geo. Mann	3/14/79	82.3	6.0	1,697
Texas Fir. Mtg.1,	055	Eastover Corp.	2/16/79	213.9	#20.3	1,044
TIERCO.....	1,170	James P. Upham	12/7/78	114.0	9.7	413
TRECO, Inc.....	2,238	Loyal Amer. Life Insur. Co.	4/6/79	40.0	1.8	51
" " "		" " " "	"	601.9b	21.7b	770
Tri-South Mtg..2,	276	Morgens/Waterfall-\$761,000 10% sr. convt. notes	3/28/79	304.4b	11.8b	875
UMET Trust.....	2,109	Perpetual Storage; Robt.Lynch	3/9/79	335.4	#15.9	880
U.S. Equity &M.1,	214	Steven Babbidge; David Boggs	3/16/79	91.5	7.5	732
" " " "		Amer. West Cp.; M.W.Mylroie	1/19/79	231.0	16.8	1,848
Western Mtg....1,	003	Shamrock Assoc.;Paul Koether	1/8/79	84.2	8.4	379
" " "		Landon T. Clay, Stephen Mead	3/22/79	62.5	# 6.2	281
Westport Co....2,	388	Leonard Dalsemer et al	10/4/77	742.0	#31.1	2,271
" " "		Deltec Panamerica	5/1/79	162.4	6.8	497
Wisconsin REIT.1,	154	Wisc. Assoc.; Milwaukee Assoc.	10/20/77	127.0	8.4	476
" " "		Robert W. Wilson	2/16/79	100.0	8.7	375

TOTAL MARKET VALUE.....\$125,495 TH

Representatives of this group have taken board seats or full control. NM-No market.

* Date of latest proxy, 13-D or other report, adjusted for known sales. ** Th. \$.

a-Announced intention to seek control of Fidelco Growth. b-Shares into which bonds or warrants are convertible, and percentage of shares that would then be outstanding.

Note: Clay-Mead group, identified with mgmt., may buy Shamrock position in Western Mtg.

(Continued from p. 1)

by entrance of well-heeled, generally sophisticated investors. Others want to take advantage of it by using it to build new bridges to Wall Street. So you should not expect any uniform management reaction to establishment of large positions in any trust you now own.

But the pressure of new money is definitely there, whether trust managers

are happy or not, and you can use this latent pressure to shape your investment program. But there are three distinct characteristics of this money flow you should understand:

--New money is concentrating in low priced issues, neglected "cheapies" that tend to be overlooked by the big institutions. A total 32 of the 52 issues -- or 61% -- still sell below \$5

despite the buying to date. In contrast only nine sell from \$5 to \$10 and 11 more sell over \$10. But the \$56.9 million invested in those 11 higher-price issues accounts for nearly half the total. And the \$33.75 million poured into C.I. Realty accounts for 29% of the total.

All this is another way to state the obvious: it takes more money to get a meaningful position in higher priced stocks. And despite the ownership concentrations, markets remain liquid for smaller positions in most of these issues.

--Investors are favoring the non-dividend payers. Only 18 of the 52 stocks presently pay dividends. But again the bigger money is going into dividend payers while more speculative money is willing to play for capital gains.

--Unlisted issues are favored. The numerical split is almost the same as for price -- 32 stocks are traded over the counter, while only seven are on the NYSE and 13 are on the ASE. Investors thus are willing to accept the wider spreads and thinner markets in most OTC stocks.

Using these facts, there are three strategies you can follow:

SUGGESTED STRATEGIES TO TAKE ADVANTAGE OF CURRENT MARKET OPPORTUNITIES

In January we suggested three investment strategies which still seem valid, although the investor with less than megabucks will have difficulty in following some of them. They are:

1. Try to invest in stocks which may become liquidation candidates. We are aware that many managers and investors recoil from this approach because it's much like ambulance chasing. But liquidation remains a viable option for both groups in those situations where capital is depleted and there's no real hope of rebuilding it, even over many years.

Liquidations are easier to talk about than accomplish. Currently five shareholder groups have proposed liquidating five trusts. Two are hotly contested and are discussed below in more detail (C.I. Realty, Baird & Warner). The other three are less well defined and outcome is in doubt. The question does not appear to have any organized support at Mortgage Trust of America, voting May 15, and Wachovia Realty Inv., to vote later this year. Shamrock Assoc., a large shareholder at Property Trust of America, is behind its liquidation proposal.

The liquidation route strikes us as having only special application, and so you should choose trusts with care if you choose to try and pick a liquidation candidate -- without actually becoming an activist in that cause. The key is ability to liquidate properties and loans fairly quickly, since the I.R.S. lets proceeds be distributed to shareholders without corporate tax if liquidation is completed within one year. This means you must focus on trusts with institutional quality properties, and pending tenders for General Growth Properties (29 1/8-NYSE) and Continental Illinois Properties (24 1/4-NYSE) remove two top names. Other trusts with institutional quality properties are First Union Real Estate (13 5/8-NYSE), Pennsylvania REIT (18-ASE), Washington REIT (24 3/8-ASE), San Francisco Real Estate (20 5/8-ASE), BankAmerica Realty Inv. (14-1/8-OTC), Conn. Gen. Mtg. (21 3/4-NYSE), B.F. Saul (7 5/8-NYSE), Federal Realty (15 3/4-ASE), and Pacific Realty Trust (19 1/4-ASE). Other trusts whose properties have some drawbacks (unfavorable leases, locations, types, sizes, etc.) include Hubbard RE (17 3/4-NYSE), New Plan Realty (9-ASE), REIT of America (18 1/2-ASE), Hotel Inv. (19 1/2-ASE), Florida Gulf (12 3/4-OTC), and Denver REIA (14 1/4-OTC).

One caution: Prices of most of these trusts appear fairly fully priced in today's market, so that any liquidation margin seems extremely thin at best. Most of these trusts are also paying good dividends, so they do provide income and are thus probably worth more alive for their

dividend paying ability, than dead. This is the primary reason we rank most of them No. 1 or No. 2.

2. Choose stocks seeking acquisitions or themselves potential merger candidates.

We rate this a much more doable strategy for most individual investors because we can get a better fix upon candidates and their stocks are generally priced more attractively. In January we listed four stocks and they are still valid candidates, in spite of some price rises. All have made progress in ordering their affairs to become more attractive to merger partners.

Moraga Corp. (4-5/8--OTC): Has completed a major secured blanket refinancing of properties and used proceeds to repay all bank debt, boosting net book value to \$6.90/sh. Its REIT portfolio is now a wholly owned subsidiary of holding company Moraga. (Audit owns a minor position in these shares.)

Diversified Mtg. Investors, Inc. (4-3/8--NYSE) has incorporated and continues to search for acquisitions. The stock has backed off a bit after a runup and now rates a strong look.

Newcorp (2-5/8--NYSE) has been organized as the holding company for Cousins Mtg. & Equity, which now is a wholly owned subsidiary. Fuqua Industries is searching for acquisitions and will receive an option to buy 25% of shares if it finds acceptable candidates.

TRECO, Inc., now incorporated, is reviewed below.

3. Trusts where new management seeks new directions. In this category we named the following four trusts, all still valid candidates:

Eastover Corp. (9--OTC) effectively is emerging as an investment company. Table I discloses it now has major holdings in Texas First Mtg., ICM Realty, and Citizens Growth Properties. Management of this latter trust is being transferred to Eastover directly. Eastover Pres. Leland Speed is joining Buffalo stockbroker Brent D.

Baird in seeking independent representation on American Realty's board. Although shares have moved up, we continue to rank them No. 1N-No dividend.

Lincoln Mtg. (2-5/16--OTC) has been taken over by new management which hopes to find a role as realty developer and investor. The jury's still out and we rank shares No. 2N.

Fidelco Growth (4-3/8--ASE) still faces assertion by Philadelphia insurance man Sidney Baer that he intends to seek control. Nothing tangible in the way of a proxy has developed, thus far. Meantime the trust is separating from its former bank sponsor and new management appears to have aggressive plans. We rank shares No. 1N for prospects of success.

Baird & Warner is embroiled in a proxy contest, reviewed below.

Here then are brief reviews and latest comments on stocks we believe have special attraction within these three general objectives:

Citizens & Southern Realty Inv. (1-5/8--NYSE) earned 4¢/sh. primary (3¢ fully diluted) in the March quarter without benefit of special items. The good news induced holders of \$3.23 million of the 3%/7% debentures, issued in \$100 denomination in a 1978 restructuring, to use those bonds to pay the cost of exercising 32,270 of its Ser. B warrants at 50 shares per warrant (i.e., \$2 face amount of bond per share). As a result the trust has issued 1,613,500 new shares and boosted book value. This is about 12½% of all outstanding warrants and begins to lighten concern about overhanging dilution via the warrant-bond route. We still regard this route (warrants: 11-3/4--PSE; 3/7% debentures about 72 bid--OTC) as the most attractive way to play the trust's recovery. See our Mar. 9 discussion. The Trust and its Stock Bonus Plan have acquired \$500,000 principal of the debentures and will use them to exercise 3,500 warrants it holds (potential 175,000 new shares).

Warrant exercise brought shareholders'

equity to about \$9.1 million or \$1.65/sh. before deduction of intangibles at mid-April. The trust said equity will be boosted by another \$4 million or 73¢/sh. when its adviser forgives that amount of debt under an Oct. 1977 settlement (but forgiveness could come as late as 1982). The trust continues to retain C&S Bank as its adviser but began employing most adviser employees directly on March 30; creditor banks have not permitted the trust to sever relations with the C&S Bank completely.

Finally, the trust issued 250,000 new shares at \$2/sh. for 5,000 warrants held by Cheyenne Investment S.A., Panamanian company controlled by Victor Shaio of Bogota, Columbia. Cheyenne had sued charging abrogation of the old Series A warrant agreement; it receives \$150,000 in settlement plus \$100,000 for legal fees. While expensive, the settlement lifts another cloud over C&SRI.

C&SRI's \$129 million investments at Dec. 1978 were 31.7% nonearning, of which about half (16%) is land. Earning investments are 28% apartments, 15% shopping centers. C&SRI owes about \$74½ million to banks.

Colwell Mtg. Trust (2¼ bid common, 2½ bid preferred--OTC) is changing its name to CMT Investment Trust to reflect fact it won't be in the mortgage business for the foreseeable future. CMT went through a pre-planned Chapter XI a year ago and emerged with two valuable rearrangements of its debt: 1) All subordinated debt was paid partly in cash, partly with a new issue of non-dividend paying preferred stock; and 2) Interest on \$85 million bank debt was locked in at 8% through 1983; all trust assets are pledged to secure the bank debt.

The plan gave rise to \$16.0 million or \$4.64/sh. extraordinary gain during 1978 but more importantly, it has relieved the trust of all interest on subordinated debt and locked in bank interest for nearly five years -- an important advantage at a time when interest rates may remain high for some time. And it gives the trust much-

needed time to strengthen assets and sell them when it chooses.

Benefits of this restructuring are only now starting to surface. CMT netted 11¢/sh. in the March quarter, vs. a 25¢/sh. loss the year before. Trust managers point out that several non-recurring items about equaled earnings for the March quarter, meaning the trust effectively is operating at break-even or slightly better. CMT reported 14.7% of invested assets were not earning income at March 31, down 7% in the quarter. Another 8% of assets were earning below-normal rates at Dec. 31.

CMT common and preferred stock are essentially equal except that preferreds have \$7.50/sh. liquidating preference. We regard liquidation unlikely at present and thus treat the shares as one class statistically. Edwin Morgens and Bruce Waterfall, New York City investment advisers to several foreign companies, have continued to add to their positions (Table I). The shares are worth accumulating for longer-term recovery.

Compass Investment Group (1½-OTC) control has passed to California investors Joseph Akerman and John Wertin, as expected in our Mar. 9 review of this special situation. This undergirds essential elements of our outlook for the stock: 1) a convertible play on the 8¼% debentures convertible at \$1.35/sh.; and 2) a possible merger play. Wertin owns an Irvine, Cal. real estate development company and in addition Wertin and Akerman are part of a group that's just bought a major position in Prudent RE (Table I). We don't know how or even if all these pieces fit together, but do suspect that some addition to Compass' present lineup will be made. We prefer the converts (111--OTC) because you get paid for letting this situation mature.

First Mtg. Investors (1-11/16--OTC) has just agreed to try and liquidate \$150 million properties by July 1, 1980 in satisfaction of \$198 million bank debt. Repayment would be made in two bites, \$85 million by Aug. 1, 1979 and \$65 million by July 1, 1980. If payment is made on time, the remaining \$48 mil-

lion would be forgiven in return for a substantial equity interest in FMI by the banks. Banks would convert existing Series A preferred into 1,933,000 shares, receive 402,000 sh. for forgiveness of \$2.8 million accrued interest (\$7/sh.), and warrants for 2,335,000 sh. at \$1/sh. If all warrants were exercised, banks would then own 35½% of resulting 13.16 million shares.

The Aug. 1 first payment is a high hurdle, given steep interest rates and drying up of mortgage money. FMI reports selling properties for \$5.7 million thru April 25, and having contracts for selling properties for another \$41.3 million cash plus \$3 million notes. The sales would yield about \$11½ million net gains, or about \$1.35/sh. FMI hopes to sell most offices and apartments, leaving it with about \$44½ million gross investment in 10 hotels/motels.

Shares have run up on news of the agreements but still have speculative appeal upon completion of the debt repayment/liquidation program.

GREIT Realty Trust (9-1/8--ASE) net income rose 21% to 17¢/sh. in the Jan. quarter, and funds available for distribution (net cash flow) rose more modestly by 6.1% to \$242,000 or 24¢/sh.

The heartening news is that rising rents at most trust properties, including two shopping centers in Miami and Hillside, Ill. outside Chicago, plus higher interest income and lower property expenses all overcame the drag of a Dayton office tower. Mead Co. vacated about 65% of the building a year ago and while some space has been re-leased, the trust expects it may take several years to achieve an acceptable occupancy rate. An aggressive Philadelphia real estate man has taken the helm as chairman and president of GREIT, and Canadian investor George Mann and his Unicorp Financial have bought 18.3% of shares; Mann joined the board in April.

All this means to us that GREIT is clearing the decks for new initiatives, using its well-depreciated property base as springboard. The Miami center is an

uninspiring asset, located in a neighborhood with much lower-income housing, but other assets appear to have much promise. Two land purchase/leasebacks on shopping centers are believed doing very well. Thus the shares at about 19% below net book value of \$11.33/sh. are attractive as a shopping center play without paying for accumulated depreciation of \$14.41/sh. Some of that depreciation may be real, so we wouldn't chase the shares.

Miller (Henry S.) Realty Trust (15-OTC) reported strong earnings gains in the quarter and year to Feb. 28. EPS leaped 82% to 31¢/sh. in the quarter and \$3.25/sh. in the year, the latter including \$1.14/sh. from operations and the rest net gain on sale of rental properties and insurance proceeds over carrying value on property destroyed by fire.

The earnings gain was attributed to higher occupancy rates, improved lease terms, increased percentage rentals on shopping center tenants' gross sales, and control of operating expenses -- all serving to boost income from the predominantly shopping center portfolio. Miller sold three properties during FY 1979, and has two foreclosed properties left in its portfolio. With book value of \$19.08/sh. plus \$3.09/sh. accumulated depreciation, the shares sell at an interesting discount from book value and provide an attractive shopping center play. Most centers are smaller community centers, an area Miller has proved adept in managing.

Pennsylvania REIT (18-ASE) boosted recurring net income under generally accepted principles (GAP) accounting to 96¢/sh. in the six months to Feb. 28, vs. 58¢/sh. in the prior year. There were no gains on property sale in the latest half-year but 5¢/sh. came from a reserve reversal. The trust jumped its semi-annual dividend to 82½-cents or a \$1.65 annual rate, second boost in little more than a year.

Revenues gained 8% in the half-year and expenses were well controlled. Expenses of a lengthy lawsuit are abating.

The trust said funds generated from operations were \$1.85 million for the six months after mortgage principal payments, up 46% from the operating funds of 1978. Funds generated equaled \$1.18/sh. in the latest half-year, vs. 84¢/sh. But since the trust does not pay out cash flow as dividends, we do not consider the trust a cash-flow trust for statistical purposes. We do think net cash flow is relevant in pricing the shares and thus see the shares as essentially undervalued now.

The trust's portfolio is about half shopping centers, half apartments and industrial. Two smaller shopping centers are being developed for fall opening. Penn-REIT is an older trust, established in the early 1960s, that has aggressively developed new properties, mainly shopping centers, via joint ventures. If net cash flow is any yardstick -- and we think it is -- then the shares could easily sell in the lower 20s. Retaining some of that cash simply lets this good management group expand properties faster.

TRECO, Inc. (1-5/16--OTC) is the former Barnett Mortgage Trust that is seeking to rebuild as a property manager, mortgage banker and broker, and realty developer. Financing was stabilized in a 1978 restructuring and now TRECO is starting to sell off properties via limited partnerships sold to investors seeking tax benefits. The first such property sale is in process. Syndication sales are looked to to provide about \$59 million cash to repay bank debt by 1983.

The big plus is a revitalized and expanded management that is starting to report small but growing income and profits from ancillary operations, all begun internally without having to pay high prices for other companies. Also bank debt is locked into at 1% through Sept. 30, 1979; then 4% for a year if certain amortization payments are made, and 7% for the final two years of the credit agreement term. Subordinated debt doesn't start coming due until 1988. Shares are highly speculative still but buying by Loyal American Life

Insurance Co., controlled by shipping magnate Malcolm McLean (see Table I) shows outside investor interest.

THE LIQUIDATION ROUTE: TWO PROXY FIGHTS ILLUSTRATE PITFALLS & POTENTIALS

Two proxy fights currently loom on the liquidation question and they illustrate more eloquently than anything we can say that these are very special situations. Two messages are clear: First, an investor wanting to press a liquidation proxy fight must have megabucks (see Baird & Warner below) and second, the smaller individual investor must act quickly to seize opportunities when liquidation contests loom and only after satisfying himself that the prospective liquidators have enough substance to press the fight. All this assumes that liquidation is the best course, a decision that often isn't clear.

Baird & Warner Mtg. & Realty Inv. (12-OTC) holders vote May 22 on two issues: 1) Election of a new slate of trustees proposed by New York City stockbroker Carl Icahn, and 2) Liquidation of the trust as proposed by its trustees. Icahn began buying into Baird & Warner late last year and gradually accumulated 20% of shares, at which time he called for a special meeting to elect new trustees, as called for under the declaration of trust. Trustees responded with the plan for liquidation, saying that based on independent appraisals they believed liquidation value might exceed \$19/sh. But Icahn and the Baird & Warner Shareholder Cmte. said on May 7 it now controlled 354,525 sh. or 34%, enough to assure that management's liquidation plan is defeated since it requires two-thirds vote. Outcome of the trustee contest is in doubt.

C.I. Realty Investors (23-3/8--NYSE) faces a liquidation proposal from holders headed by David J. Greene & Co., New York City investment adviser, who has been joined in filing a 13-D form with the S.E.C. by Robert W. Wilson, New York City operator of a hedge fund. Greene and Wilson say they own 24.7% of the shares (Table I). Meantime, City Investing Co., owner of the adviser, has bought 18.3%. Vote is likely in July or August.